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Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 IO-14 INT-08 OMB-01 TRSE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 EB-11 DRC-01 /124 W
---------- 037461
R 011004Z APR 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 975
CINCPAC REP GUAM/TTPI-LNO
INFO HQ USARBCO MACHINATO/TTPI-LNO

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 4260

CINCPAC REP GUAM PLEASE PASS HICOM AND STATUS LNO TRENT SAIPAN

STATE PASS INTERIOR FOR DOTA AND OSN

E.O. 11652: GDS
TAGS: EAID, JA, TQ
SUBJECT: MICRONISIA CLAIMS AGREEMENT

REF: STATE 055585

SUMMARY: RE LIST, FONOFF AFTER CONSULTATIONS WITH OTHER MINISTRIES REQUESTS DELETION OF PEARL CULTURE PORTION OF MARICULTURE PROJECT. FONOFF DOUBTS STEEL TUNA BOATS CAN BE PROCURED IN JAPAN AND SUGGESTS REINFORCED PLASTIC TUNA BOATS INSTEAD. RE CONTRACTS, FONOFF REQUESTS SEVERAL MINOR CHANGES. RE MACHANICS OF PROCUREMENT AND CONFIRMATION, FONOFF THINKING OF PROCEDURE THAT WOULD REQUIRE PERIODIC TRIPS TO TOKYO BY PROCUREMENT OFFICER, AT LEAST INITIALLY. END SUMMARY.

1. ON MARCH 29 SASAKI OF FONOFF CALLED IN EMBOFF TO GIVEN GOJ VIEWS ON DRAFT LIST OF PRODUCTS AND SEVICES AND CONTRACT FORMS AND REVIEW OTHER QUESTIONS RELATED TO IMPLEMENTATION OF CLAIMS AGREEMENT.
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2. CONCERNING LIST, SASAKI SAID FONOFF HAS COMPLETED CONSULTATIONS WITH OTHER GOJ MINISTRIES AND OBTAINED LATTER'S APPROVAL TO LIST WITH EXCEPTION FOLLOWING TWO POINTS:

A. MARICULTURE PROJECT: PEARL OYSTER CULTURE CONSULTANT AND EQUIPMENT FOR PRODUCTION OF PEARLS. FIRM POLICY OF AGRICULTURE FORESTRY MINISTRY (MAF) FOR SOME TIME HAS BEEN TO PREVENT DISSEMINATION OF JAPANESE PEARL CULTURE TECHNIQUES OVERSEAS. FONOFF DID BEST PERSUADE MAF TO COMPROMISE ON THIS POINT BUT WAS UNSUCCESSFUL. THUS FONOFF REQUESTS THIS ITEM BE DELETED FOR FPROJECT. SIMILARLY, ITEM D ON PAGE 6 OF PROJECT DESCRIPTION SHOULD BE DELETED AND TOTAL INCOME POSSIBILITIES ADJUSTED AS APPROPRIATE. IN INTEREST QUICKEST AGREEMENT, FONOFF SUGGESTS FUNDS WHICH WOULD HAVE BEEN USED FOR PEARL CULTURE BE USED FOR OTHER ITM(S) UNDER VILLAGE PRODUCTION BUDGET OR FOR LABORATORY COMPLEX, RATHER THAN FOR NEW USE.

B. TUNA BOAT PROJECT. FONOFF UNDERSTAND S AFTER CONSULTING WITH OTHER MINISTRIES THAT JAPANESE SHIP BUILDERS DO NOT MAKE STEEL VESSELS OF PARTICULAR TYPE ENVISAGED BY TTPE. THUS, FONOFF SUGGESTS TTPE PROCURE BOATS OF FIBER-GLASS REINFORCED PLASTIC (FRP). FONOFF UNDERSTANDS THAT FRP VESSELS OF THIS SIZE WOULD BE SAFTER THAN STEEL VESSELS, AND THAT FRP BOAT HULLS ALSO LESS SUBJECT TO ATTACH BY BARNACLES, ETC. DIMENSIONS OF FRP VESSEL WOULD BE DIFFERENT THAN THOSE OF STEEL VESSEL DUE DIFFERENT PROPERTIES TWO SUBSTANCES. UNFORTUNATELY, FRP VESSELS SOMEWHAT MORE EXPENSIVE THAT TTPI'S ESTIMATE COST FOR STEEL VESSELS; ONE FRP BOAT WOULD COST ABOUT YEN 65 MISSION. THUS IT WOULD BE POSSIBLE TO PROCURE ONLY SIX VESSELS INSTEAD OF PROPOSED TEN. WHEN PRESSED BY EMBOFF, SASKI SAID FONOFF HAS NO OBJECTION WHATSOEVER TO STEEL BOATS AS SUCH; IF TTPE CAN FIND JAPANESE SUPPLIER, FONOFF WOULD NOT OBJECT. ONLY PROBLEM IS THAT FONOFF UNDERSTANDS THAT DESIRED STEEL VESSELS SIMPLY NOT AVAIL-ABLE. THUS, FONOFF REQUESTS THAT IF TTPI AGREEABLE TO ALTERNATIVE OF FRP, SPECIFICATIONS OF STEEL VESSEL AND ARGUMENTATION IN FAVOR OF STEEL SIMPLY BE DELETED FROM CONFIDENTIAL

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DETAILED DESCRIPTION. ALTERNATIVELY, SPECIFICATIONS AND ARGUMENTATION COULD BE RETAINED AND CLEARLY ANNOTATED TO EFFECT PURCHAST OF FRP VESSEL MOST LIKELY BUT, IF POSSIBLE, STEEL VESSELS WILL BE PROCURED AND CHARACTERISTICS OF STEEL AS FOLLOWS, ETC. DATA ON DISTRIBUTION OF INCOME, IF RETAINED, SHOULD BE SIMILARLY ANNOTATED.

C. RE PROPOSED PURCHASE OF FERTILIZERS (ITEM 10 CATEGORY B

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OF LIST), SASAKI SAID THAT FONOFF HAS NO OBJECTION AT ALL
TO PROPOSED PURCHASE BUT TTPI SHOULD BE AWARE ONLY
TYPES OF FERTILIZER NOW AVAILABLE IN JAPAN ARE
AMMONIUM SULFATE, UREA, AND AMMONIUM CHLORIDE.

D. FINAL AGREEMENT TO LIST, WHEN REACHED, SHOULD BE
FORMALIZED BY EXCHANGE OF LETTERS BETWEEN FONOFF AND
EMBASSY. FONOFF VIEW IS THAT ANY REFERENCE IN SUCH
LETTERS TO AMOUNTS INVOLVED WILL BE ONLY TO YEN. THUS,
FONOFF REQUESTS THAT APPROPIREATE ANNOTATION BE ENTERED
ON LIST OF PRODUCTS AND SERVICES TO EFFECT THAT VALUES
EXPRESSED IN DOLLARS ARE FOR INTERNAL USE OF TTPI
ONLY.

E. SASAKI, OBVIOUSLY UNCOMFORTABLE TO BE IN POSITION
OF REQUESTING CHANGES TO LIST, SAID HE HOPED TTPQ
AUTHORITIES WOULD BE AGREEABLE TO TWO CHANGES REQUESTED
AND THAT FINAL AGREEMENT COULD BE QUCKLY REACHED.

2. RE PROPOSED PROCUREMENT CONTACT FORMS, SASAKI SAID
TTPE FORM BASICALLY FINE BUT FONOFF REQUESTS FOLLOWING
MINOR CHANGES.

A. CONTRACT NUMBER: FONOFF REQUESTS CROSS REFERENCE TO
APPROPIRATE CATEGORY AND ITME OF LIST OF PRODUCTS AND
SERVICES BE ADDED TO CONTRACT NUMBER WHEREVER IT APPEARS
AS AID TO FONOFF IN CONFIRMING CONTRACTS, FOR
INSTANCE, TTPI-MWC-1/A-1 IN CASE OF SCHOOLS.

B. PROCUREMENT OFFICER: FONOFF REQUESTS HE BE IDENTI-
FIED ON CONTACT AS PROCUREMENT OFFICER RATHER THAN
LIAISON OFFICER. IF PROCUREMENT OFFICER TRANSFERS FROM
OKINAWA TO SAIPAN, CORRECT LOCATION SHOULD BE INDICATED.
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INFO OCT-01 ISO-00 IO-14 INT-08 OMB-01 TRSE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 EB-11 DRC-01 /124 W
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R 011004Z APR 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 976
CINCPAC REP GUAM/TTPI-LNO
INFO HQ USARBCO MACHINATO/TTPI-LNO

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C. CONFIRMATION BY GOJ: FONOFF REQUESTS THAT TITLE AND SIGNATURE OF PROCUREMENT OFFICER BE TYPED AT TOP OF BLANK SPACE ON CERTIFICATE OF AWARD. THIS PRINTED INFO AT BOTTOM OF FORM COULD THEN BE XXED OUT. UNDER TITLE AND SIGNATURE LINES, FONOFF BEQUESTS FOLLOWING STATEMENT BE ADDED: QTE IT IS HEREBY CERTIFIED THAT THIS CONTRACT HAS BEEN DULY CONFIRMED BY THE GOVERNMENT OF JAPAN UNDER PARAGRAPH 4(2) OF THE EXCHANGE OF NOTES DATED MARCH 13, 1973 REGARDING THE ARRANGEMENTS IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE I, PARAGRAPH 3 OF THE AGREEMENT BETWEEN JAPAN AND THE UNITED STATES OF AMERICA CONCERNING THE TRUST TERRITORY OF THE PACIFIC ISLANDS SIGNED ON APRIL 18, 1969. UNQTE. BELOW THIS, ON LEFT, QTE (DATE OF CONFIRMATION) UNQTE WOULD BE TYPED IN, AND BELOW THAT QTE (CONFIRMATION NO.) UNQTE. TO RIGHT, QTE SEAL GOVERNMENT OF JAPAN UNQTE WOULD BE ADDED. APPLICATION OF GOJ SEAL IS USUAL WAY OF DOING THIS KIND OF THING, SAID SASKI. AS GOJ IS CONFIRMING CERTIFICATE OF AWARD INCLUDING PROCUREMENT OFFICER'S SIGNATURE, CONFIRMATION SHOULD COME BELOW SIGNATURE IN FONOFF VIEW.

D. CONDITION THAT CONTRACT IS INOPERATIVE UNTIL CONFIRMED BY GOJ: FONOFF REQUESTS THAT WORDING OF SPECIAL FPROVISION 7 BE CHANGED BY ADDING QTE DULY UNQTE AFTER CONFIDENTIAL

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QTE UNLESS UNQTE AND DELETING QTE A DULY AUTHORIZED OFFICIAL OF UNQTE. PROVISION WOULD THUS READ QTE: THIS CONTRACT SHALL BE INOPERATIVE AND NOT BINDING ON THE GOVERNMENT OF THE UNITED STATES, THE GOVERNMENT OF JAPAN OR THE CONTACTOR UNTIL AND UNLESS DULY CONFIRMED BY THE GOVERNMENT OF JAPAN, AS SHOWN ON THE CERTIFICATE OF AWARD UNQTE.

3. SHIPPING ARRANGEMENTS: FONOFF ANTICIPATES THAT PRO-

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CUREMENT OFFICER WILL HAVE JAPANESE SUPPLIER MAKE SHIPPING ARRANGEMENTS. IN CASES WHERE SHIPPING IS BY JAPANESE VESSEL AND NAME, DEPARTUE, DATE, ETC. ARE KNOWN WHEN CONTRACT SIGNED, THIS INFO COULD BE INCLUDED IN CONTRACT AND PRICE MADE CIF SAIPAN. IN OTHER CASES, PRICE SHOULD BE FOB JAPAN; IF IT DEVELOPED LATER THAT JAPANESE CARRIER WERE TO RPOVIDE SHIPPING, SHIPPING ARRANGEMENTS COULD BE COVERED IN SEPRATE CONTRACT WHICH WOULD ALSO BE SUBJECT TO CONFIRMATION BY GOJ.

3. PROCEDUREAL DETAILS. SASAKI SAID FONOFF NOW PREPARING ITS VIEWS ON HOW CONTRACTS SHOULD BE HANDLED. FONOFF WOULD LIKE FOLLOW ITS STANDARD PROCEDURE IN SUCH CASES, AND WOULD LIKE TO FORMALIZE AGREEMENT ON PRO-CEDURE BY EXCHANGE OF LETTERS BETWEN FONOFF AND EMBASSY. EMBOFF REPLIED THAT ANY PROCEDURE ADOPTED SHOULD BE SIMPLEST POSSIBLE, IN INTEREST SPEEDY PRO-CUREMENT. EMBOFF ADDED THAT WHILE TTPI STILL STUDYING QUESTION, EMBASSY UNDERSTANDS TTPI HOPES THAT MUCH OF CONTRACT NEGOTIATION AND PROCUREMENT COULD BE HANDLED BY MAIL, THOUGH, GRANTED, ONE OR TWO VISITS TO JAPAN BY PROCUREMENT OFFICER WOULD PROBABLY BE NECESSARY AS PRO-CUREMENT BEGINS, AND VISIT BY PROCUREMENT OFFICER AND/OR EXPERT MIGHT BE NECESSARY IN CASE OF COMPLEX CONTRACTS. EMBOFF SAID HE HOPED THIS METHOD WOULD BE COMPATIBLE WITH PROCEDURES FONOFF HAS IN MIND. SASAKI RESPONDED THAT FONOFF FEELS IT WILL BE NECESSARY TO TALK TO BOTH PROCUREMENT OFFICER AND SUPPLIER IN COURSE OF CON-FIRMATION, AND THAT, FURTHER, FONOFF WOULD NEED TWO-THREE WEEKS TO STUDY CONTRACTS AND CONSULT WITH OTHER MINISTRIES PRIOR TO DISCUSSING THEM WITH PROCUREMENT OFFICER. IF TTPI NOT PLANNING ESTABLISH PROCUREMENT CONFIDENTIAL

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OFFICE IN TOKYO, PERHAPS FONOFF NEEDS COULD BE MET BY PERIODIC VISITS OF OFFICER TO TOKYO; ON ANY GIVEN VISIT COULD BE DISCUSSED. AT ANY RATE, FONOFF IS FLEXIBLE AND WILLING TO SEE WHAT IS NECESSARY BASED ON EXPERIENCE AS PROCUREMENT PROCEEDS.

4. TAX EMEMPTION. DRAWING ON REFTEL, EMBOFF EXPLAINED AUTHORITY AND PROCEDURE INVOLVED IN GRANTING TAX EXEMPTION REQUIRED BY MARCH 13, 1973 EXCHANGE OF NOTES (TIAS 7581). SASAKI REQUESTED HE BE KEPT INFORMED RE EXEMPTION. ALTHOUGH SASAKI DID NOT RAISE THIS QUESTION, EMBASSY NOTES THAT EXCHANGE OF NOTES MENTIONS JAPANESE NATIONALS AND JURIDICAL PERSONS WHILE REFTEL REFERS ONLY TO JAPANESE NATIONALS. EMBASSY ASSUMES AUTHORITY EXISTS TO GRANT EXEMPTION TO COR-PORTATIONS AS WELL AS INDIVIDUALS AND THAT SUCH EXEMPTION

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WILL BE GRANTED.

5. EMBASSY MAILING TO TTPI COPY OF CONTRACT FORM WITH CHANGES REQUESTED BY FONOFF ADDED.

6. SPECIAL ACCOUNT. SECOND DEPOSIT TO SPECIAL ACCOUNT WAS MADE MARCH 22. KOMETANI OF TAIYO KOBE BANK IS WRITING TO TTPI TO EXPLAIN PROBLEM INVOLVING CHECKS.

7. ACTION REQUESTED. HICOM: ADVICE WHETHER CHANGES TO LIST AND CONTRACT FORM REQUESTED BY FONOFF ACCEPTABLE. DEPARTMENT: IF RPT IF EMBASSY'S ASSUMPTION PARA 4 ABOVE NOT RPT NOT CORRECT, PLEASE CLARIFY.

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Copy: SINGLE
Draft Date: 01 APR 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Handling Restrictions: n/a
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